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Message Text

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14
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 L-03 H-02 PA-01 PRS-01

IO-13 AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /105 W
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R 070245Z JUL 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 7057

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USADB

PASS TREASURY FOR ZINMAN/MUNK

E.O. 11652: ADS, DECLAS 7/6/77
TAGS: EAID, AFIN
SUBJECT: PROPOSED ORDINARY CAPITAL INCREASE FOR ADB

REF: (A) TREASURY 76-81, (B) TREASURY 76-78

1. ON JULY 5 DURING INFORMAL MEETING OF DEVELOPED MEMBER COUNTRY DIRECTORS AND ALTERNATES,ADB PRESIDENT REQUESTED VIEWS ON TIMING OF BOARD DISCUSSION OF PROPOSED ADB ORDINARY CAPITAL INCREASE. ADB PRESIDENT EXPLAINED THAT THERE HAS BEEN BOARD CONSENSUS SINCE MARCH FOR 135 PERCENT CAPITAL INCREASE AND 10 PERCENT PAID-IN WITH 40 PERCENT IN CONVERTIBLE CURRENCIES AND 60 PERCENT IN MEMBER'S CURRENCY. HOWEVER, HE NOTED THAT SCHEDULED BOARD DISCUSSION HAD BEEN POSTPONED PRIMARILY TO PERMIT TIME FOR U.S. TO AGREE TO PAID-IN.

2. RE PARA, 1, REF. A, RECENT POSTPONENMENT FROM 29 JUNE TO EARLY AUGUST DUE TO (A) INABILITY OF U.S. TO DETERMINE
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ITS POSITION AND (B) REQUEST FROM BOARD FOR PRIOR DISCUS-

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SION OF FINANCIAL IMPACT OF PROPOSED NEW LENDING RATE POLICY
WHICH IS SCHEDULED FOR BOARD DISCUSSION ON 29 JULY 1976.

3. IN RESPONSE TO QUESTIONS, U.S. DIRECTOR SAID THAT U.S.
WOULD BE UNABLE TO ACCEPT 10 PERCENT PAID-IN PREFERRING NO
PAID-IN AND THAT U.S. MAY NOT BE ABLE TO INDICATE AT THIS
TIME PARTICIPATION IN FUTURE.

4. ADB PRESIDENT, AFTER EXPLAING THAT U.S. HAD ABSTAINED
IN FIRST CAPITABL INCREASE, SUGGESTED THAT BOARD NOW HAD
ALTERNATIVE OF PROCEEDING WITH BOARD DISCUSSION AND FORMALLY
APPROVING EXISTING CONSENSUS ON CAPITAL INCREASE DESPITE
OPPOSITION OF U.S. AT THIS TIME OR OF CHANGING PROPOSED
CAPITAL INCREASE TO CALLABLE CAPITAL ONLY. THERE WAS
STRONG SPONTANEIOUS SUPPORT TO PROCEED QUICKLY TO FORMALIZE
CURRENT CONSENSUS WITH 10 PERCENT PAID-IN. FRENCH AND
JAPANESE DIRECTORS AND GERMAN ALTERNATE STRONGLY SUGGESTED
BOARD DISCUSSION AS SOON AS POSSIBLE BEDAUSE THEIR GOVERN-
MENTS ALREADY PREPARING BUDGET REQUESTS ON ASSUMPTION OF
10 PERCENT PAID-IN. U.S. DIRECTOR NOED THAT ONLY U.S.
AND AUSTRALIAN DIRECTORS APPEARED TO BE OPPOSED. AUSTRALIAN
DIRECTOR EXPLAINED THAT ONE IMPLICATION OF NEW LENDING RATE
POLICY MIGHT BE ELIMINATION OF RATIONALE FOR PAID-IN. ADB
PRESIDENT SAID REVISED DOCUMENT WOULD INDICATE NEED FOR
PAID-IN CAPITAL.
5. ADB PRESIDENT CONCLUDED MEETING BY ANNOUNCING THAT
CAPITAL INCREASE PROPOSAL WOULD BE SCHEDULED FOR BOARD
DISCUSSION EARLY AUGUST.

6. REFTEL A PARGRAPH 2 REQUESTS USADB VIEWS ON HOW U.S.
MIGHT OBTAIN BASIC CHANGE IN CAPITAL INCREASE PROPOSAL TO
ELIMINATE OR AT LEAST REDUCE PAID-IN PORTION. BASIC CHANGE
TO NO PAID-IN AT THIS LATE DATE WOULD BE DIFFICULT. IN
USADB VIEW, ONLY POSSIBILITY TO MAKE BASIC CHANGE WOULD BE
THROUGH STRONG REPRESENTATIONS THROUGH MAJOR DEVELOPED
COUNTRY GOVERNORS TO GENERATE SUPPORT FOR NO PAID-IN.
SHOULD THIS BE FEASIBLE, USADB BELIEVES THAT USG WOULD
ALSO NEED TO BE PREPARED TO SUPPORT CAPITAL INCREASE
PROPOSAL NOW AND TO PROVIDE SOME ASSURANCE OF EARLY
APPROPRIATION OF CALLABLE CAPITAL AND POSSIBLY LARGER
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CAPITAL INCREASE, SAY 150 PERCENT INSTEAD OF 135 PERCENT,
TO MEET POSSIBLE OBJECTIONS OFDMCS TO NO PAID-IN.
SULLIVAN

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NNN

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